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There was a good deal of celebration in some circles a few months ago after the House of Representatives voted to extend fast track authority.

I certainly congratulate the New Democrats, the House Republican leadership, and many groups that advocate passage of fast track for their hard-fought victory.

Personally, however, I was troubled by the vote, and I believe that celebration is premature. The 215-to-214 vote was hardly the overwhelming endorsement of trade negotiations that Congress and the Administration have been able to secure in previous years. In fact, some argue that if all Members of the House had been present for the vote, the bill would actually have been rejected.

Beyond that, this narrow margin was secured with commitments from the House Republican leadership that may prove to be unwise and undeliverable.

Finally, as the election creeps closer, there is the prospect that political considerations could erase the increasingly tight margin needed to pass a conference report that reconciles the differences between the House and Senate version of fast track.

In the Senate, there has always been broad support for fast track. But this support is increasingly contingent upon expanding efforts to address the inequities caused by further trade liberalization. Ultimately, I believe a fast track bill can and should be joined with other important trade items to secure Senate passage, but that course is not as easy or as assured as some seem to believe.

The reality of the filibuster and the existence of extremely determined opponents means that passage of a fast track bill will require a broad bipartisan vote of more than 60 Senators to complete action on the legislation.

Given the profound problems that remain to be overcome, I warn the Administration, my colleagues in the House and Senate, and interested groups not to "count their chickens before they hatch." Senate floor action, a [possible] conference with the House of Representatives, and the ultimate approval of a conference report are high hurdles, and there are numerous threats that could kill the process.

If these obstacles are to be successfully negotiated, I believe that all advocates of fast track need to resist entrenching themselves too deeply on narrow partisan issues and, instead,

refocus their efforts on crafting legislation that truly represents a broad bipartisan consensus – not a one-vote majority.

Ultimately, such a broad consensus makes actual passage of legislation much more likely and makes the passage of future trade agreements – the ultimate goal – eminently more achievable. At this stage, partisan gamesmanship from any quarter only makes failure far more likely. Fortunately, I believe the basis for the broad bipartisan consensus I am describing is taking shape in the Senate.

The most important element of that consensus is not fast track, but a program known as Trade Adjustment Assistance or TAA, which aims to address the needs of those who are injured by increased trade.

In my view, an honest, responsible program to address the needs of workers and farmers who lose their jobs because of trade is perhaps the most important element of a politically viable program to expand trade. If it is ignored, efforts at trade liberalization will ultimately fail.

They will fail not because "those Democrats in Congress" don't understand the economic virtues of free trade. Almost all of us have taken and passed Economics 101. Rather, they will fail because the simple premise that free trade is good – unless it is coupled with efforts to address the inevitable needs of America's workers and establish a truly fair basis for trade – is no longer enough to carry the day and push forward further trade liberalization.

In order to build that worker adjustment element, a number of Members of Congress, including Senator Daschle, Senator Bingaman, Congressman Bentsen, Congresswoman Eschoo, and myself have worked to forge new TAA legislation. We fashioned this legislation from the recommendations of the GAO, which had critically reviewed the TAA program at the request of Congress. We also incorporated the bipartisan recommendations of the Trade Deficit Review Commission, which included Members of President Bush's Cabinet – including the current U.S. Trade Representative, Robert Zoellick.

This groundbreaking legislation expands TAA coverage to so-called secondary workers, farmers, and fishermen – who deserve TAA benefits as much as any other group – but are currently excluded from TAA. This concept was based largely upon a unanimous recommendation of the Trade Deficit Review Commission.

The bill also extends TAA benefits from the current 52 weeks to 78 weeks to allow recipients to complete training – a recommendation of the GAO. Benefits to TAA recipients are expanded by enlarging the pool of funds available for training and extending healthcare benefits to program recipients. This allows workers to take full advantage of the program and complete meaningful training.

The bill also experiments with a concept that has been promoted by some from this very

organization – wage insurance. The concept is for the government to make up part of the difference between the displaced worker's old wage and his new wage to encourage him or her to return to work as quickly as possible. The idea is elegant in both its fairness and its simplicity, but it is not fully tested and some of the early experiences with similar programs elsewhere raise some concerns. In the future, I can imagine this program being more widely applied as problems are worked out, but at this point, it would be premature to entirely discard traditional TAA in favor of wage insurance TAA.

As my colleagues and I have worked to put together and refine this legislation, a simple truth has become readily apparent – TAA is an essential element in a new trade consensus. Without it, any attempts to expand trade or negotiate broad-based new agreements are dead in the water. The addition of an expanded TAA program is the only issue under discussion that has the potential to deliver a substantial new bloc of votes to a trade bill that includes fast track.

A combined bill is certainly more popular in the Senate. I am also advised by my House colleagues that the addition of TAA to the bill considered by the House could allow for passage by a somewhat comfortable margin, as opposed to the one-vote squeaker we witnessed on December 6th. In light of this, I would hope that the Administration and some of their allies in Congress would reconsider their criticism of TAA. TAA may be the only thing that can save the trade consensus and save fast track. Fighting against it threatens to grasp defeat from the jaws of victory.

One final note on TAA. It would be remiss of me to leave this topic without personally thanking another member of the IIE staff – Howard Rosen – for his tireless efforts in helping to prepare the legislation now before the Senate. Thank you, Howard.

Of course, TAA is not a new trade policy and even an expanded version of the program is unlikely to completely silence critics of trade. For that reason, Senator Grassley and I have worked to develop a new version of fast track based upon the bill that passed the House.

A number of New Democrats in the House worked to develop the legislation that passed on December 6th and I believe they made good progress working with Chairman Thomas. Despite the protests of many, the bill that passed the House does more to address labor and the environment than any other legislation that has ever been passed by either House of Congress, let alone signed into law.

In the Senate, however, we have improved upon the bill in several ways. I know some critics of fast track would prefer to ignore these changes, but I want to highlight a few of them in some detail.

First, the Senate bill substantially improves protection for U.S. trade laws. In addition to a direction not to consider weakening changes – which was also in the House bill – the Senate bill includes several other important objectives essential to maintaining strong and effective trade

laws.

We included Section 201 – now so important to the U.S. steel industry – on the list of U.S. trade laws not to be weakened and emphasized the need for its continuing viability in the face of a number of WTO challenges.

Further, under the bill, any changes in U.S. trade laws that are included in future trade agreements are subject to new procedural steps. If an agreement does include these types of changes, the President would need to provide advance notification to the Chairmen and Ranking Members of the Senate Finance Committee and the House Ways and Means Committee. Those congressional leaders would then write a report on the proposed changes. If these reports proved to be critical of the proposed changes, I suspect a President would reconsider the provisions or face the possibility of the agreement being rejected by Congress.

The Senate bill also identifies a number of recent WTO decisions against U.S. trade laws. These decisions are unfair and overreaching; in effect, they add new WTO rules on trade laws that have not been negotiated and could not have been negotiated. The Administration is directed to develop a specific strategy for remedying these decisions or lose fast track authority.

Another area in which the Senate bill improves upon the House bill is in its treatment of so-called Chapter 11 or investor-state issues. Chapter 11 has received considerable criticism in the media lately, and some of that criticism is justified. Environmental and citizens' groups have raised a number of legitimate issues about the way Chapter 11 is being applied. But I am not ready to throw out the baby with the bath water. U.S. investors have some legitimate fears of mistreatment by foreign governments, and that is what Chapter 11 is supposed to remedy.

But I have been troubled by several of the cases brought under Chapter 11, and the controversy they have engendered. That is why the Senate bill explicitly directs trade negotiators to seek agreements which do not provide foreign investors greater rights to challenge U.S. regulatory actions than are provided under U.S. law to U.S. parties.

The bill also directs negotiators to take aim at stopping frivolous complaints, to establish an appeals process with a lower standard of review than the House bill, and calls for greater transparency. This approach strikes a sound balance between the legitimate concerns of U.S. investors overseas and the legitimate concerns of environmental and citizens groups.

Probably the most notable portion of the Senate bill is also in the House bill, but our bipartisan interpretation of the provision in worth highlighting. The Senate bill expressly directs U.S. negotiators to pursue labor rights and environmental provisions in new agreements that – while preserving the legitimate regulatory latitude of administrative agencies – fully reflect the standard set forth in the U.S.-Jordan FTA.

I quote from a draft of the Committee report jointly prepared with Senator Grassley:

"[This provision of the bill] sets forth what has come to be called the 'Jordan standard' in the areas of trade and labor and trade and the environment...The agreement with Jordan accomplishes this through several commitments, which the present bill directs negotiators to pursue in ongoing and future trade negotiations."

U.S. trade negotiators should be absolutely clear that a bipartisan core of the Senate has directed them to pursue provisions on environment and labor closely following the Jordan standard.

Some critics have argued that a clause added toward the end of the process in the House somehow undermines this provision. This so-called "Gramm language," which reiterates the latitude of administrative agencies, is entirely duplicative of other language in the bill, and is probably nothing more than an example of poor legislative drafting. However, it in no way undermines the Jordan standard or the direction that labor and environmental provisions have equal weight to all other provisions in dispute settlement.

In fact, I believe critics are simply overstating the provisions of the U.S.-Jordan Agreement, which explicitly reserves administrative flexibility and the right of countries to set their own standards.

In the end, on this and other issues – some critics will continue to say that the fast track bill does not go far enough on labor and the environment. Many of these critics, I believe, will never be satisfied. They simply oppose trade, and they will always oppose fast track. But we need to be honest about this bill – it <u>is</u> progressive, it <u>is</u> bipartisan, and it is an enormous step in the right direction.

Before I finish, I would be remiss if I didn't address another important trade issue that I know a number of you are concerned about - the impact of China's recent entry into the WTO.

My concern is two-fold. First, China has a monumental task in complying with its obligations. They must change hundreds of laws and thousands of regulations.

China must also provide significant training to regulators, customs officials, and inspectors. And they must alter the mindset of all government officials involved in trade to ensure uniformity, transparency, and accountability of decisions made. We, along with other WTO members, and the WTO itself, will have to put resources into monitoring Chinese adherence to its commitments. And we also must help them develop the capacity to follow the rules.

The second concern is the impact that China will have on the WTO itself. With almost one-fourth of the world's population and one of the fastest growing economies, China has a unique responsibility at the WTO to help maintain a growing and thriving international trading system.

All countries approach WTO activities from the perspective of what is good for them. But China must also look more broadly at how their actions at the WTO impact on the global trading system.

Fast track, trade adjustment assistance, China in the WTO – this is as much action on trade as there has been in the past eight or nine years. Indeed, it takes me back to those heady days in the early 90's when it seemed like we couldn't go a week without taking up another trade agreement.

But those days are gone, and the consensus that drove the passage of NAFTA and the Uruguay Round has begun to erode. If we are to re-establish this consensus and begin moving ahead with a positive trade agenda, we need to look beyond the same old solutions and the same old ideas.

The trade bill that will come before the Congress this year is the most progressive bill with any chance of becoming law. I hope to continue to improve this bill further as the legislative process proceeds. But the reality is that – at this point – the realistic potential for changes in any direction is limited. I believe those who continue to press for major changes to this bill are allowing the perfect to become the fatal enemy of the good and, in this case, of all progress.

The combination of a broad expansion of TAA with a progressive fast track bill, heavily based on the U.S.-Jordan agreement, represents the beginnings of a broad new consensus on trade. I believe that this bill can move us beyond the partisan trench warfare that now blocks progress. I hope that everyone – particularly the Administration – can fight the temptation to overreach, and instead, grab this opportunity.

Thank you.